

CHAPTER 26

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INTRODUCED BY Senator Burton

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APRIL 19, 2001

An act to amend Sections 50802.5, 51455, 51479, and 53130 of, to add Sections 50675.13, 50675.14, 51451.5, 51453, and 51505 to, and to add Part 11 (commencing with Section 53500) to Division 31 of, the Health and Safety Code, relating to financing housing programs by providing the funds necessary therefor through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1227, Burton. Housing and Emergency Shelter Trust Fund Act of 2002.

Under existing law, there are programs providing assistance for, among other things, multifamily housing, emergency housing, farmworker housing, home ownership for low- and very low income households, and downpayment assistance for first-time homebuyers. Existing law also establishes specified code enforcement programs.

This bill would enact the Housing and Emergency Shelter Trust Fund Act of 2002, which, if adopted, would authorize, for purposes of financing various existing housing and code enforcement programs, and additional specified programs subject to the enactment of enabling legislation, the issuance of bonds in the amount of \$2,100,000,000 pursuant to the State General Obligation Bond Law.

This bill would provide for submission of the bond act to the voters at the November 5, 2002, statewide general election in accordance with specified law.

The bill would enact additional provisions for the distribution of designated portions of the proceeds of the bond act and the administration of the programs pursuant to which those funds would be distributed. Those provisions would become operative only if the bond act is adopted by the voters.

This bill would also delete obsolete provisions.

This bill would declare that it is to take effect immediately as an urgency statute.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SEC. 1.7. Section 50802.5 of the Health and Safety Code is amended to read:

50802.5. (a) The department shall issue a notice or notices of funding availability to potential applicants and designated local boards, as applicable, as soon as possible after funding becomes available for the Emergency Housing and Assistance Program. Each notice of funding availability shall indicate the amounts and types of funds available under this program.

(b) A designated local board, or the department in the absence of a designated local board, shall solicit, receive, and select among applications for grants pursuant to this chapter from eligible organizations through an open, fair, and competitive process. These applications shall be ranked and selected by a designated local board, or by the department in the absence of a designated local board.

(c) Notwithstanding subdivision (b), the department may restrict a designated local board from selecting any application requesting a grant for capital developments if the amount requested by the application exceeds the limits determined by the department, and the department determines that the designated local board is not qualified to evaluate the application. The department shall establish criteria for distinguishing between a designated local board that may be so restricted and a designated local board that would not be so restricted. A designated local board may appeal to the director, or to the director's designee, any decision made by the department pursuant to this subdivision. The department, by June 30, 2001, shall consider increasing the maximum grant limits to three hundred thousand dollars (\$300,000) for operating grants and five hundred thousand dollars (\$500,000) for capital grants.

(d) The department, or the designated local board, as applicable, shall not grant more than one million dollars (\$1,000,000) to any eligible organization within a region in a funding round even if the eligible organization has filed multiple applications.

(e) The department shall determine requirements of the grant contract and shall contract directly with the grant recipient. The department shall not delegate this function to the designated local boards. Eligible designated local boards may use a percentage of the regional award funds to defray administrative costs. The department shall establish this percentage, which shall not exceed 2 percent.

(f) The designated local board shall regulate the performance of any grant contract within their region, subject to department oversight and requirements established by the department.

(g) The department shall not perform a secondary rating or ranking review on those grant applications that have been solicited, received, and selected by a designated local board according to a local ranking criterion that has been approved by the department.

(h) Notwithstanding any other provision of this chapter, if the Housing and Emergency Shelter Trust Fund Act of 2002 is approved by the voters, funds allocated pursuant to paragraph (2) of subdivision (a) of Section 53533 shall be administered by the department in a manner consistent with the restrictions and authorizations contained in provision 3 of Item 2240-105-0001 of the Budget Act of 2000, except that any appropriations in that item shall not apply. The competitive system used by the department shall incorporate priorities set by the designated local boards and their input as to the relative merits of submitted applications from within the designated local board's county in relation to those priorities.

In addition, the funding limitations contained in this section shall not apply to the appropriation in that budget item.

Statutes of 2000
Item 2240-105-0001, Provision 3

2240-105-0001-For transfer by the Controller to the
Emergency Housing and Assistance Fund (0985)... 39.000.000

Provisions:

3. Of the amount transferred by this item, \$25.000.000 shall be distributed in the form of capital development grants for the activities specified in paragraph' (2) of subdivision (a) of Section 50803 of the Health and Safety Code. Notwithstanding the provisions of Chapter 11.5 (commencing with Section 50800) of Part 2 of Division 31 of the Health and Safety Code, or any provision of the regulations promulgated thereunder, the Department of Housing and Community Development shall distribute funds appropriated for purposes of this Provision 3, as grants in the form of forgivable deferred loans, subject to all of the following provisions.
 - (a) Funding shall be made available to each project as a loan with a term of 5 years for rehabilitation, 7 years for substantial rehabilitation or 10 years for acquisition and rehabilitation or new construction. Each deferred loan shall be secured by a deed of trust and promissory note. Repayment of the loan shall be deferred as long as the project is used as an emergency shelter or transitional housing. At the completion of the specified year term, the loan shall be forgiven. However, if a transfer or conveyance of the project property occurs prior to that time that results in the property no longer being used as an emergency shelter or transitional housing, the department shall terminate the grant and require the repayment of the deferred loan in full.
 - (b) Applications for funding shall be made Pursuant to department-issued statewide. Notices of Funding Availability" without the need for additional regulations.
 - (c) The department shall set forth the criteria for evaluating applications in the "Notices of .Funding Availability" and shall make deferred loans based on those applications that .best meet the criteria.
 - (d) The department shall specify in the "Notice of Funding Availability". both maximum and minimum grant amounts that may be varied for urban and nonurban counties.
 - (e) Contracts for projects that have not begun ,construction within the initial 12-month period shall be terminated and the funds reallocated. However, the department may extend this period by a period not exceeding 12 months.
 - (f) \$20.000.000 shall be distributed to the urban counties. \$5,000,000 shall be made available .to the nonurban counties until one year has elapsed from the date of the initial "Notice of Funding Availability" which any uncommitted funds may be allocated to the urban counties.